



May 17, 2007

Mr. Mark Leary, Executive Director  
California Integrated Waste Management Board  
1001 I Street, MS-1  
P.O. Box 4025  
Sacramento, CA 95812-4025

Dear Mr. Leary:

**Final Audit Report—Evergreen Oil, Inc. Grant Contract URD3-02-4**

Enclosed is the final report on our audit of Evergreen Oil, Inc.'s (Evergreen Oil) Used Oil Research, Testing, and Demonstration Grant URD3-02-4 for the period July 1, 2003 through April 30, 2005. The Department of Finance, Office of State Audits and Evaluations, performed this audit under an interagency agreement with the California Integrated Waste Management Board (Board). The audit included a review of receipts, expenditures, internal control, and compliance with certain grant agreement provisions.

Except as noted in the *Finding and Recommendation* section of this report, Evergreen Oil complied with the fiscal requirements of its grant agreement. Evergreen Oil's response and our evaluation of the response have been incorporated into this final report. The enclosed report is for your information and use. We have also sent a copy to Evergreen Oil. In accordance with Finance's policy of increased transparency, the final report will be placed on the Finance website.

If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

*Original signed by:*

Diana L. Ducay, Chief  
Office of State Audits and Evaluations

Enclosure

cc: Mr. Tom Estes, Deputy Director, Administration and Finance Division, California Integrated Waste Management Board  
Mr. Roger Ikemoto, Grants and Audits Manager, Administration and Finance Division, California Integrated Waste Management Board  
Ms. Bonnie Cornwall, Supervisor, Used Oil and Household Hazardous Waste Unit, California Integrated Waste Management Board  
Mr. Gary Colbert, Vice President, Evergreen Oil, Inc.  
Mr. Jesus Romero, Chief Financial Officer, Evergreen Oil, Inc.

# A GRANT AUDIT

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Evergreen Oil, Inc.  
Used Oil Research, Testing, and Demonstration  
Grant URD3-02-4  
For the Period July 1, 2003  
through April 30, 2005

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

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The Department of Finance, Office of State Audits and Evaluations, performed this audit under an interagency agreement with the California Integrated Waste Management Board (Board).

The Board awarded one \$300,000 grant (URD3-02-4) to Evergreen Oil, Inc. (Evergreen Oil) for participation in the Used Oil Research, Testing, and Demonstration Grant Program. The grant was funded by the Used Oil Recycling Fund and covered the period July 1, 2003 through April 30, 2005.

The objective of this audit was to determine Evergreen Oil's fiscal compliance with the aforementioned grant. The audit also assessed Evergreen Oil's compliance with applicable laws, regulations, and grant agreement requirements, as well as a review of internal controls. We did not assess the efficiency or effectiveness of program operations; this responsibility lies with the Board. The responsibility for financial reporting and compliance rests with Evergreen Oil.

This report is intended for the information and use of Board and Evergreen Oil management. However, the report is a matter of public record and its distribution is not limited.

**STAFF:**

Susan M. Botkin, CGFM  
Manager

Rick Cervantes, CPA  
Supervisor

Robert Castillo

## INDEPENDENT AUDITOR'S REPORT

Mr. Mark Leary, Executive Director  
California Integrated Waste Management Board  
1001 I Street, MS-1  
P.O. Box 4025  
Sacramento, CA 95812-4025

We have audited the accompanying Evergreen Oil, Inc.'s (Evergreen Oil) *Statement of Revenue and Expenditures* (Statement) for the grant agreement URD3-02-4 for the period July 1, 2003 through April 30, 2005, executed between Evergreen Oil and the California Integrated Waste Management Board (Board). The Statement was prepared from Evergreen Oil's records and is the responsibility of its management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide reasonable assurance as to whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared, as described in Note 4, for the purpose of determining Evergreen Oil's fiscal compliance with the aforementioned grant agreement. The Statement is not intended to be a presentation of its total revenue and expenditures.

As discussed in the accompanying schedule of *Finding and Recommendation*, we identified questioned expenditures totaling \$20,451, which represent 10 percent of the total claimed costs. We questioned these costs due to the inappropriate reimbursement of matching funds.

In our opinion, except for the matter discussed above, the Statement referred to above presents fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreement URD3-02-4, for the period stated above in conformity with generally accepted accounting principles in the United States of America.

### Compliance

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of Evergreen Oil's compliance with certain provisions of laws, regulations, and the grant agreement, noncompliance with which could have a direct and

material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported herein under *Generally Accepted Government Auditing Standards* and is described in the accompanying schedule of *Finding and Recommendations*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Evergreen Oil's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no instances involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Board and Evergreen Oil management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Original signed by:*

Janet I. Rosman, CPA  
Assistant Chief, Office of State Audits and Evaluations  
(916) 322-2985

October 4, 2006

# STATEMENT OF REVENUE AND EXPENDITURES

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Evergreen Oil, Inc.  
Used Oil Research, Testing, and Demonstration Grant Agreement URD3-02-4  
For the Period July 1, 2003 through April 30, 2005

	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
Revenue:			
State Grant	\$ 204,506	\$ 204,506	\$ 0
Expenditures:			
Personnel/Other	<u>204,506</u>	<u>184,055</u>	<u>20,451</u>
Excess of Revenue over Expenditures	<u>\$ 0</u>	<u>\$ 20,451</u>	<u>\$(20,451)</u>

The accompanying notes are an integral part of this statement.

# NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

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**Evergreen Oil, Inc.**  
**Used Oil Research, Testing, and Demonstration Grant Agreement URD3-02-4**  
**For the Period July 1, 2003 through April 30, 2005**

**NOTE 1      Description of the Reporting Entity**

Evergreen Oil, Inc. (Evergreen Oil) was incorporated in December 1983 in California, and is 100 percent owned by Evergreen Environmental Holdings, Inc., a Nevada corporation.

Evergreen Oil owns and operates a used oil re-refining facility in Northern California. The refinery processes and re-refines used motor oils and sells the re-refined product as a base for commercial lubricants. Evergreen Oil also provides collection, transportation, and disposal services for certain hazardous waste materials. Its corporate headquarters is located in Irvine, California.

**NOTE 2      Program Information**

The California Integrated Waste Management Board (Board) administers the California Oil Recycling Enhancement Act, which includes the disbursement of Used Oil Research, Testing, and Demonstration Grant funds from the Used Oil Recycling Fund.

The Legislature enacted the California Oil Recycling Enhancement Act (Public Resources Code Sections 48600 through 48691) to reduce the illegal disposal of used oil, and to recycle and reclaim used oil to the greatest extent possible. A portion of the account is to be issued as grants to local government and agencies directly responsible for solid waste management. The intent of the grant funds is to encourage local governments to expand, implement, and/or improve their used oil collection opportunities.

**NOTE 3      Description of Used Oil Research, Testing, and Demonstration Grant Agreement**

Evergreen Oil received a \$300,000 grant award from which it claimed and was reimbursed \$204,506 in grant funds. The grant agreement covered the period July 1, 2003 through April 30, 2005. Evergreen Oil's primary goal for the grant was to expand, implement, and/or improve its used oil re-refinement processes and to certify re-refined oil to industry standards. To achieve this goal, Evergreen Oil incurred costs associated with the improvement processes.



## **NOTE 4      Summaries of Significant Accounting Policies**

### **A. Basis of Presentation**

The Statement presented in this report was prepared from Evergreen Oil's accounts and financial transactions. The Statement summarizes revenue and expenditures recorded by Evergreen Oil during the reporting period referenced in Note 3.

The Statement summarizes Evergreen Oil's transactions pertaining to grant agreement URD3-02-4 only, and is not intended to represent all of Evergreen Oil's financial activities.

### **B. Basis of Accounting**

Evergreen Oil's accounts are maintained on the accrual basis and in accordance with generally accepted accounting principles. Under the accrual basis, revenues are recorded as they are earned and expenditures are recorded at the time the liabilities are incurred.

## FINDING AND RECOMMENDATION

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During our audit of grant agreement URD3-02-4, we identified areas where fiscal controls over grant funds had been established and were working as intended. The audit also identified a reportable compliance issue requiring corrective action. The following recommendation, if implemented, will improve Evergreen Oil's fiscal control over grant funds and protect the interest of Evergreen Oil and state interests in the event of disputes.

### **FINDING                      Improper Reimbursement of Matching Funds**

- Condition:** Evergreen Oil was inappropriately reimbursed \$20,451 for expenditures that should have been considered matching funds. Specifically, the grant agreement specifies that Evergreen Oil provide 10 percent in matching funds for claimed Contract Laboratory/Engine Tests expenditures. Evergreen Oil incurred a total of \$204,506 in Contract Laboratory/Engine Tests expenditures, of which 10 percent or \$20,451, should have been considered matching funds. However, Evergreen Oil claimed and was reimbursed total costs of \$204,506. The questioned amount of \$20,451 reflects the 10 percent matching funds reimbursed to Evergreen Oil by the Board.
- Criteria:** Grant Agreement URD3-02-4, Exhibit E, Budget Item 5, states that the grantee is to pay 10 percent of the actual laboratory/engine test costs as matching funds.
- Recommendation:** Remit \$20,451 to the Board for the reimbursed 10 percent matching expenditures and ensure that all future claimed costs are in compliance with the grant agreement. The Board will make the final determination and resolution of the questioned costs.





17 April 2007

Ms. Diana L. Ducay  
Department of Finance  
Office of State Audits and Evaluations  
300 Capitol Mall, Suite 801  
Sacramento, California 95814

**Re: Audit Report – Grant Contract URD3-02-4**

Dear Ms. Ducay:

Evergreen Oil, Inc. (EOI) is in receipt of your Draft Audit Report dated 6 April 2007. As stated to the auditor, Mr. Robert Castillo, EOI was asked to submit the request for payment by the CIWMB Project Manager, Mr. James Herota. This request was made due to the fact that EOI was able to perform the work under budget. In fact if you review the attached 3<sup>rd</sup> page of the grant payment request dated 20 May 2005, it specifically states reimbursement for the 10% matching funds of \$20,450.65. There was no intention on behalf of EOI to mislead the CIWMB. The request for payment was reviewed by their department and paid.

EOI hopes your department and the CIWMB will consider the information provided above prior to making the final decision requiring EOI to pay back the \$20,450.65.

Should you have any questions please contact me at 510-608-0155.

Sincerely,  
**Evergreen Oil, Inc.**

**Original signed by:**

Gary B. Colbert  
Executive Vice President

attachments

*Headquarters*

2355 Main Street, Suite 230  
Irvine, CA 92614

Tel: (949) 757-7770 Fax: (949) 474-9149  
Customer Service: (800) 972-5284

*Operations - North*

6880 Smith Avenue  
Newark, CA 94560-4224  
Tel: (510) 795-4400  
Fax: 510) 796-2559



**GRANT PAYMENT REQUEST**

CIWMB 87 (Rev 3/04)

**Complete the information requested**

1. GRANTEE NAME (AS APPEARS ON GRANT AGREEMENT)

**EVERGREEN OIL, INC.**

2. GRANT NUMBER (ASSIGNED BY CIWMB)

**URD3-02-0004**

3. GRANTEE INVOICE NUMBER (OPTIONAL)

4. PAYMENT REQUEST NUMBER

**004**

5. TYPE OF PAYMENT REQUEST (ATTACH SUPPORTING DOCUMENTATION)

☐ Advance ☐ Reimbursement ☒ Final

6. AMOUNT REQUESTED

**\$ 20,450.65**

7. Send warrant to:

ORGANIZATION/BUSINESS NAME

**EVERGREEN OIL, INC.**

CONTACT NAME

**GARY B. COLBERT**

ADDRESS

**6880 SMITH AVENUE**

CITY

**NEWARK**

STATE

**CA**

ZIP CODE

**94560**

8. Certification of completion of General Checklist of Business Permits, Licenses and Filings (CIWMB 669)

Initial appropriate box:



Form on file is current and complete

Changes made since last checklist submitted (attach revised form, CIWMB 669)

9. I certify that the above information is correct and that all funds received have been or will be expended in accordance with the approved agreement for California Integrated Waste Management Board (CIWMB) grant funding.

**GARY B. COLBERT**

Print or Type Name of Authorized Signatory (as authorized in resolution)

**VICE PRESIDENT**

Title

**20 MAY 2005**

Date

Signature of Authorized Signatory (as authorized in resolution)

**CIWMB Staff Use Only**

10. REQUESTED AMOUNT

\$

11. ADDITIONS OR DEDUCTIONS, (IF ANY)

\$

12. LESS WITHHOLD, (IF APPLICABLE AND AUTHORIZED IN GRANT AGREEMENT)

\$

13. APPROVED AMOUNT

\$

14. COMMENTS

15. DATE RECEIVED

Approval Signature of CIWMB Grant Manager

Date approved

Approval Signature of CIWMB Program Manager

Date approved

see instructions on reverse side

**Research, Testing and Demonstration Grant FY 02/03**  
**Expenditure Itemization Summary**  
**Grantee's Name: EVERGREEN OIL, INC.**  
**Grantee's Grant Number: URD3-02-0004**  
**For Expenses Incurred Between: July 2004 to April 2005**

**Research**

Expense Description	Invoice Date	Invoice Number	Quantity	Dollar Amount
Test Devices				
Re-refined Oil Tech Development				
Storm Water Mitigation Tech Development				
Used Oil/Oily Water				
Other Tech Development				
<b>Subtotal</b>				

**Equipment**

Expense Description	Invoice Date	Invoice Number	Quantity	Dollar Amount
Containers				
Equipment/Other				
Stormwater				
<b>Subtotal</b>				

**Collection**

Vendor and Expense Description	Invoice Date	Invoice Number	Quantity	Dollar Amount
Used Oil				
Oil Filters				
Plastic Bottles				
<b>Subtotal</b>				

**Education**

Vendor and Expense Description	Invoice Date	Invoice Number	Quantity	Dollar Amount
Publicity and Education				
Stormwater				
<b>Subtotal</b>				

**Administration**

				Dollar Amount
Cost Savings				
Indirect/Overhead Cost				
<b>Subtotal</b>				

**Personnel/Other Direct**

Position Title and Name	Duties	Rates with Benefits	Hours	Dollar Amount
Contractor/Consultant Expenses	Engine Testing	10% Matching Funds		\$20,450.65
Personnel				
<b>Subtotal</b>				

EXPENDITURE ITEMIZATION GRANT TOTAL:

\$20,450.65

Interest Posted for period:

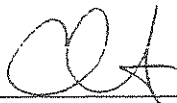
(+ \$ )

(If Applicable)

\*Two (2) copies or photographs of products are enclosed with this report

**CERTIFICATION**

I certify that the above information is correct and that all funds received have been expended in accordance with the Used Oil Research, Testing and Demonstration Grant – Fiscal Year 2002/2003 Agreement.



Signature of Person Authorized by Resolution

20 May 2005

Date Signed

## EVALUATION OF RESPONSE

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We have reviewed Evergreen Oil's response to the draft audit report. Evergreen Oil's response acknowledges that the \$20,451 payment from the Board represented the 10 percent matching funds required by the grant. Matching funds are not reimbursed to grantees and the \$20,451 was erroneously paid to Evergreen Oil. As such, our original recommendation stands; however, the Board will make the final determination and resolution of the questioned costs.